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Chairman: Mr. Mitsopoulos (Vice-Chairman) ..... (Greece)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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In the absence of Mr. Yousfi (Algeria), Mr. Mitsopoulos (Greece), Vice-Chairman, took the Chair.

The meeting was called to order at 10.15 a.m.

Agenda item 122: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/C.5/61/L.2)

Draft resolution A/C.5/61/L.2: Scale of assessments for the apportionment of the expenses of the United Nations: requests under Article 19 of the Charter.

1. *Draft resolution A/C.5/61/L.2 was adopted.*

Agenda item 115: Financial reports and audited financial statements, and reports of the Board of Auditors (A/61/5 (Vols. I, III, IV) and Adds. 1-9, Add.11 and Corr.1 and Add.12 and Corr.1, A/61/182, A/61/214, A/61/214 and Add.1 and A/61/350)

2. **Mr. Cabatuan** (Chairman of the Audit Operations Committee of the Board of Auditors) introduced the reports of the Board of Auditors on the United Nations and its funds and programmes for the biennium ending 31 December 2005, together with the report on the United Nations High Commissioner for Refugees (UNHCR), whose annual financial cycle ended on that date. The capital master plan project would be introduced at a later date. The 15 reports now before the Committee did not include the report on the United Nations Office for Project Services (UNOPS), which was postponing submission of its financial statements to the Board until 30 November 2006. The annex to each report now identified the financial period in which the Board's recommendations had initially been made, in order to reflect the ageing of those which had not been fully implemented. The Board had also introduced an executive summary, to provide readers with a snapshot of the financial and operational condition of a particular organization.

3. The Board had issued an unqualified opinion on the financial statements of each of the organizations audited during the biennium 2004-2005. It had three concerns regarding the United Nations Development Programme (UNDP): that in 2004, auditors of national projects had put in modified audit opinions relating to material amounts, but that by June 2006 UNDP had not analysed the audit qualifications; that bank accounts had not been reconciled on a monthly basis, which could have resulted in fraud and in errors going undetected; and that controls for the new enterprise resource planning system (Atlas) introduced during the biennium were deficient in several respects. In respect of the United Nations Population Fund (UNFPA), there were a number of modified opinions in the independent audit reports for national projects. At the United Nations Environment Programme (UNEP), the figures for non-expendable property in the financial statements differed from the inventory report, where property was shown at market value instead of acquisition cost.

4. In accordance with General Assembly resolution 47/211, inviting the Board to report on management deficiencies and fraudulent use of resources, the Board was submitting a concise summary of its principal findings and conclusions for the biennium. There were several common themes in those findings. Concerning non-expendable property, the Board had noted the inclusion in a number of inventory reports of various items which could not be traced or accounted for; the lack of a physical count, resulting in the exclusion of items; and inconsistency in the valuation of items. Concerning liabilities for end-of-service and post-retirement benefits, only about US$ 200 million of the actuarial valuations by the Administration for after-service health insurance had been funded at the time of the audit, out of an estimated combined liability of over US$ 3 billion. The impact of those two factors on the implementation of the International Public Sector Accounting Standards (IPSAS) should not be underestimated.

5. There was also room for improvement in the emergency response to natural disasters such as the 2004 tsunami. The problems of inter-agency coordination on the ground might well have been due in part to the lack of a common United Nations methodology for rapid assessment. Some of the agencies involved had failed to provide any information on expenditure, which made it more difficult to assess delivery efforts as a whole. Inter-agency coordination, procurement and contract management were among the areas covered in the concise summary.

6. **Mr. Childerly** (Chief, Oversight Support Unit), introducing the reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors on United Nations funds and programmes (A/61/214 and Add. 1), said that the Administration was attempting to streamline its reporting by providing feedback to the Board on its findings and

recommendations, for inclusion in the Board's own report, while confining the content of the Secretary-General's report to matters requiring clarification.

7. As the reports showed, responsibility for implementing recommendations and setting time frames for doing so was now assigned to programme managers, in accordance with General Assembly resolution 52/212 B. Programme managers normally delegated that responsibility to lower levels. In a number of cases where the recommendation was of an ongoing kind, no time frame or target date could be set, so that implementation could not be 100 per cent. Action was however being taken, in the light of the Board's findings, to address such recommendations. The United Nations was now implementing over 20 per cent of the Board's recommendations, and the funds and programmes rather more.

8. The Secretariat would be ready to comment, when the Committee so wished, on specific issues arising from recommendations made to the United Nations. The executive heads of the funds and programmes would be represented when the Committee dealt with recommendations addressed to them. They all welcomed the constructive spirit in which the Board discharged its oversight function.

9. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the reports of the Board of Auditors for the period ending 31 December 2005 (A/61/350), said that the Board had reported on 15 entities of the United Nations system, of which the Advisory Committee had considered 11. It would comment on the audit reports for the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the capital master plan in the context of its consideration of the biennial budgets of the Tribunals and the report of the Secretary-General on the capital master plan. The comments of the Advisory Committee on the Board's report on the United Nations Joint Staff Pension Fund would be submitted to the Assembly separately in a report including the Committee's recommendations on the report of the Joint Staff Pension Board.

10. The Board was continuing its efforts to improve the structure of its reports, but had still to find a way to streamline them in order to maximize their usefulness. The Committee therefore recommended that for each theme discussed the Board should explain the approach it had taken and what risk assessment it had made in deciding to focus on certain aspects. That would provide an overall picture of the problems being addressed. Supporting examples could then be conveyed to the Administration in management letters.

11. The Committee also recommended that the Board should help Administrations to prioritize implementation by framing its recommendations more clearly and including specific benchmarks and time frames. The Board could also indicate the degree of seriousness of problems it identified, and any improvement noted during the period which had elapsed since previous recommendations on the same subject. Much of the difficulty in implementing its recommendations seemed to lie in the inability of Administrations to pinpoint the responsible officials. Greater efforts should be made to define and develop accountability within the United Nations system.

12. The Board's report on its response to the Indian Ocean tsunami was clear and coherent, and its findings would be valuable in future planning for large-scale disaster relief.

13. When the International Public Sector Accounting Standards came into effect, due system-wide by 2010, non-expendable property and inventory would appear as assets on financial statements and would have to be capitalized and accounted for, and which meant being accurately entered into information systems. That would present a challenge, given the existing gaps in data entry and discrepancies between inventory reports and physical counts. Each organization should establish workable procedures with strong controls to deal with those shortcomings. Sound valuation methods for recording and depreciating assets and for determining the cost basis for inventory items should be developed and harmonized between all organizations in the system.

14. Much remained to be done to improve inter-agency coordination mechanisms so that every United Nations mission or country presence could function as an integrated whole. To integrate country teams at the operational level, senior managers must have the determination to drive the integration process, an important element in the Secretary-General's reform, forward on a day-to-day basis. The Board of Auditors was requested to pursue the topic in its next audits.

15. **Ms. Pehrman** (Finland), speaking on behalf of the European Union, the acceding countries Bulgaria and Romania; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and, in addition, Iceland, Liechtenstein, Moldova, Norway and Ukraine, thanked the Board of Auditors for the high standard of its reports, and welcomed the fact that most of the financial statements submitted had been certified without qualification. She hoped the recommendations made in the three reports on which the Board had expressed reservations would be implemented without delay.

16. The European Union welcomed the improvements made by the Board in its reports, especially the summary of its main recommendations and the recapitulation of previous ones. She hoped that style of presentation would be continued. It would also be useful to arrange the recommendations in descending order according to the seriousness of the problem and the associated risks. Some auditing of performance was also desirable, as long as it did not duplicate the work of the Office of Internal Oversight Services (OIOS) or of the Joint Inspection Unit (JIU).

17. In the area of finance, it was important to build reserves for liabilities so far unfunded, such as post-retirement health insurance. She would welcome data for all entities within the United Nations system, as recommended by the Advisory Committee on Administrative and Budgetary Questions. She was concerned to note that some programmes were still in financial difficulty, or had still to develop funding strategies. The Board's recommendations on that point should be implemented as soon as possible. The financial rules, especially those relating to procurement, must be strictly followed in order to correct the shortcomings noted by the Board. The European Union was also concerned at the continuing problems in the auditing of projects implemented at the national level. The Board's work on emergency relief following the tsunami was commendable, showing how inter-agency cooperation could improve disaster relief without supplementary funding.

18. It was a matter of concern that inventory, and assets in general, were not always correctly dealt with in the Secretariat and in certain entities. She hoped that problem would be solved quickly in order to meet the timetable for introducing the IPSAS standards.

19. Progress in updating Treasury and investment management had been regrettably slow. More dynamic management would result in better returns on investment as well as savings in bank charges.

20. The non-publication of the financial reports for UNOPS was a further area of concern, demonstrating the need for efficient and coordinated computerization within the United Nations family. The Board had commented on the difficulties experienced in introducing the new enterprise resource planning system (Atlas). Those problems must be tackled urgently. She would also welcome some information in future reports of the Board on the state of readiness for introducing the IPSAS standards.

21. She noted with interest the comments of the Board on the application of the rule for the recruitment of consultants, and the proposals for improving and rationalizing the management of procurement and procurement personnel. The European Union attached great importance to improving mechanisms for the detection of fraud.

22. **Ms. Lock** (South Africa), speaking on behalf of the Group of 77 and China, reiterated the importance attached by her delegation to the work of the Board of Auditors and commended the Board on the improvements made to the presentation of its report. Effective and impartial financial and management audits of the Organization and its affiliated entities not only ensured that resources were utilized in the most effective manner but also pre-empted potential deviations from the Organization's rules and regulations.

23. The Group of 77 and China agreed with the Board's recommendations and findings, but was concerned about the failure to implement some of its previous recommendations. The Administration was ultimately responsible for ensuring that the Board's recommendations were implemented in a timely manner and that specific officials were held accountable for implementation. For that reason, the Group had, in 2005, supported proposals for the establishment of an internal mechanism to follow up on the implementation of oversight recommendations, and it continued to maintain that effective and expeditious implementation of those recommendations was an integral part of efforts to improve accountability within the Secretariat. In that connection the Board was invited to provide its views on the practical

implications for its independence of the recommendation contained in paragraph 11 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/61/350).

24. She welcomed the continued efforts to enhance cooperation and synergies between the Board of Auditors, the Joint Inspection Unit and the Office of Internal Oversight Services. In order to strengthen the management of the United Nations, assurances must be obtained that the Organization was meeting its objectives in the most efficient and cost-effective manner. The objective counsel of the oversight bodies was essential in that regard.

25. The Board had issued unqualified audit opinions while emphasizing certain concerns on the United Nations Development Programme, the United Nations Population Fund and the United Nations Environment Programme. The Administrations of those entities had generally concurred with the Board's recommendations and were proceeding with their implementation. However, the postponement of the audit of the United Nations Office for Project Services was cause for concern and she would appreciate clarification in that regard. The Group of 77 and China also remained concerned about the financial situation of the Office of the United Nations High Commissioner for Refugees and, while acknowledging the positive steps taken by the Office in recent years, wished to emphasize the importance of implementing the Board's recommendations.

26. The Board's focus on management issues provided Member States with a useful measure of the performance of the Secretariat. In that connection, she drew attention to the requests contained in paragraph 4 of section V of General Assembly resolution 59/266. Achieving equitable geographical distribution and gender balance should be a priority for the United Nations and its affiliated entities, but the Board's findings indicated that little progress had been made in that regard. More concrete efforts were needed to ensure that the international character of the Organization was reflected in the composition of its staff. The Group would have been grateful for a clear indication of the problems encountered by the Administration in that area.

27. Concerns remained over apparent deviations from the controls guiding the use of consultants and individual contractors, and she stressed the importance of adherence by the Administration to the relevant administrative instructions. With regard to procurement, the Group of 77 and China shared the Advisory Committee's concern about deficiencies across the whole United Nations system. In order to avoid mismanagement and fraud, all procurement entities must abide by the relevant regulations and rules.

28. She welcomed the Board's emphasis on the lessons learned from the implementation of the new enterprise resource planning systems and the International Public Sector Accounting Standards in some parts of the system. The Secretariat must closely monitor relevant developments across the system so as to benefit from the experiences of other entities.

29. Lastly, she expressed support for efforts to enhance inter-agency coordination at the operational level. The Group also looked forward to receiving the comprehensive report on the United Nations response to the tsunami.

30. **Mr. Hillman** (United States of America) said that the Board of Auditors performed a critical function by auditing United Nations bodies' financial statements, and Member States must have sufficient time to analyse its findings and recommendations. Unfortunately, the late submission of some Board of Auditors' reports had prevented his own delegation from properly examining them. The chronic problem of late submission must be addressed.

31. His delegation broadly supported the conclusions of the Board of Auditors as well as the associated conclusions of the Advisory Committee. Having been struck by a number of the findings they contained, it would like more information to be provided in informal consultations on UNDP Government- and NGO-executed programme expenditure, bank account reconciliation and enterprise resource planning (Atlas) implementation (A/61/5/Add.1), as well as on the auditors' qualified opinions on UNFPA projects (A/61/5/Add.7) and non-expendable property values at UNEP headquarters (A/61/5/Add.6). The extent of problems with valuing non-expendable property extended beyond UNEP. For example, the United Nations University Biotechnology Programme for Latin America and the Caribbean had not had a physical inventory since 2001, while the United Nations Office on Drugs and Crime had never had a physical inventory. Those and other internal control

weaknesses would increase the challenge of introducing International Public Sector Accounting Standards, a critical part of the ongoing reform of the Organization.

32. Having long advocated reform of the United Nations procurement system, his delegation was concerned at the lack of compliance with the Procurement Manual and General Assembly resolutions on procurement described in the Board of Auditors report (A/61/5 (vol. I)); such lack of compliance harmed the reputation of the Organization and exposed it to the risks of fraud, waste, abuse and mismanagement. Procurement staff should be subject to mandatory periodic rotation and held responsible for failure to adhere to procedures.

33. His delegation would like further details of the balances in, and sustainability of, United Nations trust funds, and of efforts to address the problem of ageing of audit recommendations. It was concerned that seven recommendations from the 1998-1999 biennium had yet to be implemented fully, and emphasized that programme managers must follow up such recommendations if oversight was to be effective.

Agenda item 127: Report on the activities of the Office of Internal Oversight Services (A/61/61 and Add. 1, A/61/264 (Part I) and Add.1 and Add.2)

34. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), introducing the annual report of the Office of Internal Oversight Services (A/61/264 (Part I) and Add.1), and pointing out that peacekeeping oversight activities would appear in part two of the report for consideration at the resumed part of the sixty-first session, said that OIOS had issued 1,919 recommendations in 234 reports during the period from 1 July 2005 to 30 June 2006. While responsibility for acting on those recommendations lay with programme managers, OIOS would continue proactive and vigilant follow-up. In that connection, it had launched a monitoring system for recommendations called Issue Track.

35. The report, specifically chapter V, focused on five areas considered high-risk because of their vulnerability to inefficiency, ineffectiveness, lack of accountability, misconduct, mismanagement, waste of resources or abuse of authority. After conducting a thematic evaluation of knowledge-management networks, OIOS had found the Organization lacking in capacity to store, share and utilize its knowledge. After conducting audits of information and communication technology (ICT) management at the offices of the United Nations Conference on Trade and Development (UNCTAD) and the Economic Commission for Europe (ECE), it had found a need for improved information technology governance, strategic planning, access security and planning for contingencies and business continuity.

36. OIOS had also completed the United Nations programme performance report for the biennium 2004-2005 (A/61/64), provided continuous audit coverage for the capital master plan, and conducted a quick impact audit of the Organization's compliance with the Pandemic Planning and Preparedness Guidelines for the United Nations System issued in March 2006. In order to investigate potential fraud in the United Nations procurement services, it had established an ad hoc procurement task force in January 2006.

37. Although OIOS had factored risk into its work planning in the past, it had come to recognize a need for a more rigorous and systematic mechanism to establish priorities among competing demands. It had accordingly placed more emphasis on risk-based oversight, developing a structured risk-assessment methodology aiming to incorporate risk assessment for all departments and offices into its workplans by the end of 2007 and to base its resource requirements on such plans.

38. The time had come for the Organization to institutionalize a culture of risk management, with implementation of a robust internal control framework as an important first step. Internal control was often also referred to as management control, as its point of departure was responsibility for upholding the Organization's core values, organizational culture and all processes and functions needed for managers to discharge their duties. An internal control framework would also provide guidelines for programme managers to take full ownership of internal control and to report on its effectiveness.

39. Introducing the OIOS report on the inspection of the programme and administrative management of the Economic and Social Commission for Western Asia (ESCWA) (A/61/61), prepared pursuant to a series of missions and audits indicating that the regional commission's programmatic and administrative mechanisms required further attention, she said that

some changes were needed to enable ESCWA to achieve its full potential within the United Nations system.

40. The 20 recommendations made by OIOS had been based on conclusions drawn after extensive and exhaustive collection of information. In its view, the current organizational structure of ESCWA, which led to fragmented and confused lines of reporting, must be brought more into line with usual United Nations nomenclature and practice. Its role in the region must be enhanced, particularly with regard to cooperation with other United Nations agencies and offices. The management of information and knowledge, which underpinned the regional role of ESCWA, should be strengthened. Lastly, its executive management culture must be more consistent, objective and transparent.

41. OIOS had been pleased to note member countries' appreciation of ESCWA activities in priority areas such as rehabilitation and assistance to subregions affected by conflict. Its multidisciplinary experience and knowledge, particularly of regional specificities and economic and social questions, had enabled it to establish a regional perspective regarding the Millennium Development Goals. While OIOS was also pleased that the Secretary-General, in his comments on the OIOS report (A/61/61/Add.1), had welcomed its recommendations, it noted that he had done no more than transmit comments from ESCWA of which OIOS was already aware and which it had in fact partly reflected in the body of its own report (A/61/61).

42. **Mr. Sach** (Controller), introducing the note containing the comments of the Secretary-General on part one of the annual report of the Office of Internal Oversight Services (A/61/264 (Part I)/Add.2), said that he wished to clarify some aspects of the OIOS findings and recommendations, which made a valuable contribution to improving accountability, transparency, efficiency and effectiveness in the Organization. He assured OIOS that the Secretary-General fully intended to implement the vast majority of its recommendations. Turning first to the reference in section II A of the annual report to funding restrictions limiting oversight activities, he drew attention to the table in paragraph 2 of the Secretary-General's note, which listed the resources approved by the General Assembly for such activities over the course of three bienniums and suggested that funding had been adequate, with unspent funds from the regular budget having been returned. With regard to the suggestion in the same section that multi-source funding should be eliminated in order to avoid conflicts of interest, the Committee, and indeed OIOS, might find it useful to take account of the current policies and procedures for assessments determined by more than one scale, in other words, those for the regular budget and those for the peacekeeping budget.

43. The Secretary-General had provided further clarification regarding the references in the annual report to the ad hoc procurement task force, the medical insurance plan for locally recruited staff, the Central Emergency Response Fund, the capital master plan project and mobility in order to avoid misunderstanding or misinterpretation on the part of the Committee. Cost savings had been discussed intensively in the Secretariat. The Secretary-General took the view that only funds available for surrender to the Member States should be considered savings, and suggested that more tangible details should be supplied when reporting on purported savings so that they could be properly pointed out to the Member States in financial performance reports.

44. In connection with the comments of OIOS on the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC), he wished to point out that the Security Council had been kept regularly informed of the latter's activities, and that the Secretary-General had invited the Council to review its mandate. The report of the Secretary-General on mandating and delivering: analysis and recommendations to facilitate the review of mandates (A/60/733) had made the same recommendation.

45. **Mr. Abdel-Aziz** (Chief of Administration a.i., Economic and Social Commission for Western Asia), introducing the note containing the comments of the Secretary-General on the report of the Office of Internal Oversight Services on the inspection of the programme and administrative management of ESCWA (A/61/61/Add.1), said that ESCWA had accepted 14 of the 20 recommendations appearing in the OIOS report (A/61/61). Most were in the process of being implemented, while others had already been implemented.

46. ESCWA was not unusual in rejecting certain OIOS recommendations, and had done so particularly in the case of recommendations 1, 16, 17, 18, 19 and 20. Its position had been reflected in part in the OIOS

report itself, and, in addition, in the note by the Secretary-General. It would work with OIOS to resolve the issues in question, particularly those relating to management style and culture, emphasizing that it was a sensitive regional commission. It was keen to make further progress in reform in order to benefit its member States, and was pleased that OIOS had found no financial, moral or ethical shortcomings on its part.

47. **Ms. Pehrman** (Finland), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia and the former Yugoslav Republic of Macedonia; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Moldova, Norway and Ukraine, welcomed the clear and substantial report submitted by OIOS (A/61/264 (Part I) and Add.1 and Add.2). The implementation rate of OIOS recommendations reflected the commitment of the United Nations to maintaining an effective system of internal control, and the European Union continued to believe that critical recommendations should be fully implemented unless valid reasons were given for their non-implementation. Further information on such reasons should therefore be provided, and she would be particularly interested to know why action had not been taken on many of the critical recommendations from previous years.

48. The efforts of OIOS to improve its working methods, and in particular the introduction of the Issue Track database, were commendable and should be encouraged. Likewise, she welcomed the Office's ongoing efforts to strengthen the results-based management culture within the Organization and, in that connection, requested additional information about the quick impact audits designed to assess preparedness for future challenges. Cooperation between OIOS and other oversight bodies, particularly the Board of Auditors and the Joint Inspection Unit, must be pursued with a view to avoiding duplication of work and ensuring mutual reinforcement.

49. During the reporting period, OIOS had focused on five risk areas: health, security and safety; programme management; information and communication technology; the capital master plan; and integrity violations. It had also drawn attention to two impediments to its work, in the form of funding restrictions and a lack of access to records and personnel. The European Union supported strengthening the operational independence of OIOS, including through the provision of budgetary independence in order to prevent potential conflicts of interest. Adequate resources and unhindered access to information were vital to maintain an effective and efficient oversight system.

50. She welcomed the recently adopted risk assessment approach and supported further progress in that area. The risk assessments would provide OIOS with a structured framework to justify its evaluations and a means to identify the resources required to address any shortcomings identified. They should therefore provide the basis for OIOS funding requirements. A more detailed discussion of the measures designed to strengthen the evaluation function of OIOS should be undertaken in the context of the debate on governance and oversight.

51. Lastly, turning to the report of OIOS on the inspection of the programme and administrative management of the Economic and Social Commission for Western Asia (ESCWA) (A/61/61), she said that many of the recommendations contained therein would enhance the effectiveness of ESCWA, which was already one of the most advanced Secretariat entities in terms of the use of results-based management tools. However, ESCWA had not accepted all the OIOS recommendations, and she therefore looked forward to discussing that issue in more detail.

52. **Ms. Lock** (South Africa), speaking on behalf of the Group of 77 and China and referring to the annual report of OIOS (A/61/264 (Part I) and Add.1 and Add.2), said that it was imperative that OIOS should be allowed to carry out its functions and role unhindered. She had taken note with concern of the incidents highlighted in paragraphs 4 to 10 of the report and, during informal consultations, the Group of 77 and China would explore effective measures to prevent the recurrence of such incidents.

53. She welcomed the efforts of OIOS to engage with the Board of Auditors and the Joint Inspection Unit on a regular basis and was particularly heartened by the introduction of the annual tripartite oversight coordination meeting. It was essential to avoid duplication of work and optimize synergies so that all three bodies could remain integral components of the Organization's oversight system.

54. The United Nations should adopt and adhere to a formal internal control framework and the Group of 77 and China therefore welcomed the internal initiatives

undertaken by OIOS to improve controls and manage risks, as well as to strengthen its own professional practices. The Group remained convinced of the need for the full and effective implementation of oversight recommendations and, in that connection, was pleased to note that the 1,919 OIOS recommendations had led to the identification of US$ 49.2 million in cost savings, of which US$ 14.2 million had actually been saved and recovered. However, the failure of certain programme managers to implement recommendations, particularly those deemed critical, was cause for concern and the reasons for that situation should be examined in detail.

55. She welcomed the ongoing focus on investigating cases of sexual exploitation and abuse and reiterated that recommendations on that subject should be based on General Assembly resolution 59/300. As far as procurement was concerned, OIOS had established an ad hoc procurement task force, which reported directly to the Under-Secretary-General, and, to date, four investigative reports had been completed and shared with programme managers. Given the importance of the issue, OIOS should provide more information on those reports and ensure that copies were made available to the General Assembly as soon as possible. Further details about the funding arrangements for the task force and the amount spent to date on procurement-related investigations should also be provided.

56. Referring to paragraphs 63 and 66 of the report, she requested additional information on the planned comprehensive audit of the Department of Management, which would tie in well with the current focus on governance and oversight within the United Nations. Further details about the comprehensive and objective review of the delegation of authority from the Department of Management to the Department of Peacekeeping Operations would also be appreciated. In more general terms, she stressed that the audit and investigative functions of OIOS should not overshadow its critical activities in the areas of evaluation and monitoring. The Committee should consider matters relating to the strengthening of OIOS later in the session in the context of the oversight review.

57. With regard to the report contained in document A/61/61, she was pleased that ESCWA had built up its multidisciplinary expertise and experience and solidified its potential for effectively advocating, communicating, coordinating and implementing activities at the regional level, and was encouraged to see that the Commission was currently one of the most advanced Secretariat entities in terms of the use of results-based management tools. She agreed with the evaluation of the Commission's strengths contained in paragraph 49 of the report. However, ESCWA had not accepted six of the OIOS recommendations. In that connection, the Group of 77 and China wished to stress that every effort should be made to ensure that recommendations were applicable and based on a careful analysis of the situation in question.

58. **Mr. Hillman** (United States of America) stressed the critical importance of the Office of Internal Oversight Services to the ongoing efficiency, integrity and viability of the United Nations and to the effectiveness of its programmes. He commended the Office for identifying $49.2 million in cost savings during the previous year but noted that as at 30 June 2006 actual savings and recoveries had only totalled $14.2 million; appropriate action should be taken to realize the remaining savings.

59. He welcomed the 1,919 recommendations made by the Office to United Nations entities but expressed concern that only 42 per cent of the recommendations identified as critical had been implemented, and he recalled the responsibility of programme managers for internal control and risk management. He also echoed the concern expressed by OIOS that 34 of its recommendations made prior to 1 July 2002, 17 of which had been deemed critical, still had not been fully implemented and requested an explanation from the Secretariat. He wondered why certain entities, including the United Nations Development Programme, the United Nations Environment Programme and the United Nations Human Settlements Programme (UN-Habitat) still had not implemented recommendations that were more than three years old. He also requested information on the nature of the 68 recommendations not accepted by programme managers and why they had been rejected.

60. His delegation welcomed the launch of the Issue Track recommendation monitoring database, which would provide Member States with a more timely, accurate and standardized picture of the responsiveness of programme managers. It would be helpful to learn what level of access programme managers had to the database and whether access could be denied to users if a mandatory update had not been made. He welcomed the OIOS initiative to develop risk-based workplans to

assist in identifying oversight priorities and asked for information on the Office's estimate of additional external resources needed to complete that project.

61. With regard to the role of OIOS in auditing the United Nations Compensation Commission, he requested further clarification as to the Office's future role with regard to the Commission given that the Commission had completed its processing of claims and was winding down its operations. For example, in its report the Office stated additional audit resources were needed but it had taken until June 2006 to fill an audit position approved by the Commission in January 2005. Furthermore, the report stated that audit resources must be provided after 2006 to continue auditing outstanding awards. His delegation was of the opinion that the activities of OIOS should mirror those of the Commission as it wound down its work and he therefore requested an explanation from OIOS of its proposed resource levels for 2007 and its audit plan for the Commission.

62. He commended OIOS on its efforts to investigate sexual exploitation and abuse cases and its systematic review of allegations of abuse or fraud in the area of procurement. It was imperative for OIOS to expedite that review and to report to the General Assembly as soon as possible.

63. **Mr. Hussain** (Pakistan) reaffirmed the pivotal role played by both internal and external oversight mechanisms, and acknowledged the efforts of OIOS to promote a culture of accountability in the United Nations. He was concerned however by the large number of recommendations made by OIOS, the age of some recommendations and the lack of implementation of some critical recommendations. Poor implementation represented a failure on the part of the Secretariat, especially senior management, and reflected poorly on their commitment to reform.

64. He called upon the Office for the Coordination of Humanitarian Affairs (OCHA) to implement the recommendations of OIOS and urged the Office of the United Nations High Commissioner for Refugees to urgently address the irregularities identified in its operations. He regretted the failure of the United Nations Compensation Commission to implement critical recommendations; the failure of the Compensation Commission to accept the OIOS recommendations was a serious issue which the Secretary-General should bring to the attention of the Security Council.

65. The external review of OIOS currently before the General Assembly should lead to the strengthening of the Office's financial independence, of its capacity in its core functions, and of its role in promoting transparency and accountability. Oversight could not be left to programme managers alone; OIOS should continue to be the central oversight body in the Secretariat, which would result in more coherence in oversight activities. Legislative mandates pertaining to the role and responsibilities and oversight of OIOS should be consolidated. The Office's investigation function should be maintained, even if that required some restructuring. It should have full access to information and personnel in the conduct of its functions.

66. OIOS should streamline its budget process and develop a screening mechanism to weed out frivolous or malevolent allegations; disciplinary penalties should be envisaged for those who resorted to slanderous or baseless allegations. The Office should coordinate with other oversight bodies to avoid duplication of effort. It should inform the General Assembly of the representation of developing countries in its various branches, including the investigation department.

67. The Independent Audit Advisory Committee (IAAC) should not encroach on the budget or authority of OIOS within the Secretariat and should not attempt to influence OIOS on behalf of the Secretariat or the major Powers. The Office should have its own budget approved by the Fifth Committee. Finally, he supported renaming the Office as the Office of the Inspector-General.

68. **Mr. Munith** (Bangladesh) underscored the importance of creating an organizational framework for the Organization based on best practice in governance and oversight and the accountability of programme managers for internal control and risk management. He commended OIOS for its efforts to ensure robust oversight and for coordinating its work with other oversight bodies such as the Board of Auditors and the Joint Inspection Unit, which would contribute to improved oversight outputs. He expressed concern that inadequate funding had at times prevented OIOS from exercising its oversight role. He also expressed concern that the Special Representative of the Secretary-General of one peacekeeping mission had obstructed

the efforts of OIOS, and requested more information on the incident.

69. He welcomed the Office's initiatives t improve its efficiency, including: the launching of a systematic risk-assessment methodology to identify priorities; streamlining of the audit process through the use of information and communications technologies; introduction of the Issue Track single database for recommendations; and the establishment of dedicated professional practice units or focal points in each division of the Office.

70. It was critically important for the recommendations of the Office to be implemented, yet as of 30 June 2006 only 47 per cent of the 1,919 recommendations made by the Office from 1 July 2005 to 30 June 2006 had been implemented; of the 932 recommendations deemed critical, only 42 per cent had been implemented. The rate of implementation must be increased to an acceptable level. He expressed special concern that many recommendations made between 2000 and 2005 had still not been implemented and requested information from the Secretariat on efforts under way to remedy that situation.

71. **Ms. Zobrist Rentenaar** (Switzerland) welcomed efforts to improve oversight within the Organization, including the proposals to strengthen the Office of Internal Oversight Services made by the Office itself (A/60/901). She welcomed in particular the launch of the Issue Track single recommendation database. She expressed concern however at the poor implementation rate of OIOS recommendations, especially in the six months following issuance of critical recommendations, when quick action by the Secretariat was necessary, at the number of rejected recommendations, and at the age of some outstanding recommendations. That reflected poorly on the accountability of management and the effectiveness of internal controls, issues that should be addressed in the context of the governance and oversight review.

72. Although there had been an increase in complex inter-agency programmes, there were no established procedures for integrated oversight, which could cause gaps or duplication of efforts. OIOS efforts to coordinate oversight had proven very difficult, with a resultant lack of accountability for financial resources and of coherence in audits, an issue to be taken up in the context of the governance and oversight review. With regard to the tsunami relief operation, she urged the Secretary-General to prevail upon the entities involved to collaborate with OIOS to facilitate progress on the consolidated report mandated by the General Assembly.

73. The issue of the feasibility of OIOS expanding its services to provide internal oversight to United Nations agencies, including organizations which had no separate oversight body, should be addressed by the General Assembly. Finally, she took note of the comments of the Secretary-General that in his view reporting to Member States of cost savings would be of doubtful value.

74. **Mr. Basnet** (Nepal) said that transparency, accountability, effectiveness, efficiency and results-based management should be core values in the work of the United Nations. He underscored the important role played by OIOS in promoting transparency and accountability within the Organization and stressed the need to ensure that OIOS had access to any information necessary to fulfil its mandate; every effort must also be made to remove any impediment to its work.

75. Increased coordination between OIOS, the Board of Auditors and the Joint Inspection Unit would contribute to making oversight activities more efficient and effective. He acknowledged the importance of recent initiatives undertaken by OIOS, including the Issue Track database and the launching of a systematic risk assessment methodology. Recommendations made by OIOS must be implemented; due attention must therefore be paid to internal controls and accountability, efficiency and effectiveness. Efforts to investigate sexual exploitation and abuse and management of procurement must continue and OIOS should take into account the current reform process when issuing recommendations.

76. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services) said that she would respond to delegations' comments and questions in informal consultations. Referring to the Controller's remarks about the budget of OIOS, she wished to stress that she had not questioned the level of resources allocated to the Office. However, together with a number of independent observers, she had taken issue with the funding arrangements themselves, which violated the principle of the operational independence of OIOS.

The meeting rose at 12.20 p.m.